



HOUSE BUDGET COMMITTEE

Democratic Caucus

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House Republican Proposal Leads to Inequities in Medicare Premiums

EXECUTIVE SUMMARY

Under Medicare, all seniors pay the same premium for Part B services, regardless of where they live. H.R. 1 includes a provision, commonly referred to as premium support, but now referred to by some Members as “comparative cost adjustment,” in which the cost of the traditional Medicare fee-for-service program has to compete against the price of private plans. This change would allow premiums for the traditional Medicare program to vary by region and relative to those charged by private plans beginning in 2010.

A recent analysis by the Department of Health and Human Services’ Office of the Actuary provides information on 545 counties, and shows that the premium support system in H.R. 1 would result in dramatic disparities in premiums for traditional Medicare within states and regions, and across the country.¹ Specifically, HHS’s analysis looks at premiums in 2013, and reveals that under premium support, the following would happen:

- **Traditional Medicare Would Cost Up to 88 Percent More for Many Seniors Under H.R. 1** — Some seniors would pay more under H.R. 1 for traditional Medicare than they would if premium support is not enacted. Based on HHS’s analysis, many seniors would see increases in their Medicare premiums, with some facing increases as high as 88 percent.
- **Medicare Premiums Would Vary Dramatically Across the Nation** — Among the counties presented in HHS’s analysis, the amount that seniors would have to pay to stay in the traditional fee-for-service Medicare program in 2013 would range from a low of \$675 annually (\$56 monthly) in Davidson County, North Carolina, and several counties in Oregon, to a high of \$2,400 annually (\$200 monthly) in Jefferson Parish, Louisiana. This means that some seniors would have to pay more than three times as much as, or \$1,725 more than, individuals in other parts of the country for the *exact same benefit*.

¹ *Comparison of Annual Beneficiary Premiums Under H.R. 1 for Medicare Advantage, Enhanced Fee-For-Service, and Traditional Fee-For-Service Plans*, U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services, Office of the Actuary, August 9, 2003. Note: All estimates cited are for premiums in 2013 and are a best approximation of HHS’s graphs.

- **Medicare Premiums Could Vary Widely Within a State** — Even within a state, seniors may pay dramatically different premiums – sometimes twice as much – for the same Medicare benefit. For instance, a senior in Osceola County, Florida, would pay \$1,000 annually for traditional Medicare in 2013, while a senior in Palm Beach County would pay more than twice that, with premiums of \$2,100. In California, premiums would range from a low of \$775 in Yolo County to a high of \$1,700 in Los Angeles County.
- **Increases in Medicare Premiums Could Be More Widespread, and Could Get Even Worse** — Out of 3,066 counties nationwide, the HHS analysis provides specific information on only 545 counties in 36 states; other counties may also see premium increases if private plans enter those counties. Furthermore, under H.R. 1, the impact on premiums would not be fully phased in by 2013, the year analyzed by HHS. When premium support is fully in place, the effects may be worse.

The following report provides further explanation of the premium support provisions in H.R. 1, a discussion of why premium support causes disparities in Medicare premiums, and summaries of HHS's analysis of the effect of H.R. 1 on premiums, by county and region.